



# **BRISTOL CITY COUNCIL**

## **AUDIT COMMITTEE**

**ANNUAL REPORT  
2022-23**

draft

## 1. Introduction:

- 1.1 It is important that the Council has an independent and effective Audit Committee that follows best practice. The Audit Committee is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety. The Audit Committee's responsibilities are additional to and supportive of those of the Section 151 Officer.

## 2. Terms of Reference:

- 2.1 The Committee's approved Terms of Reference for 2022/23, which are detailed on the Bristol City Council website, can be summarised as providing independent assurance to the Council in relation to the:
- Effectiveness of the Council's governance arrangements, risk management framework and internal control environment;
  - Overseeing the work of Internal and External Audit, while at the same time enhancing the profile, status and authority of the Internal Audit function and its independence;
  - Effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control;
  - Reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement and monitoring the Council's compliance with its Code of Corporate Governance.
- 2.2 The Committee should operate in an 'apolitical' environment. To support this, Political Group Leaders do not sit on the Audit Committee and this is reflected in the Committee's Terms of Reference.

## 3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2022/23 by Councillor Andrew Brown. The Committee comprised of nine members as indicated in the table below with two independent members, Adebola Adebayo and Simon Cookson. Councillor Grant was a member of the Committee for the first part of the year only and was replaced by Councillor Poultney.
- 3.2 The Committee met formally on six occasions during 2022/23. All meetings were quorate and face to face in line with government requirements for all committee meetings. Attendance at the meetings is recorded below:

| Member                 | No. of meetings Held | No. of Meetings Attended | Percentage of meetings attended |
|------------------------|----------------------|--------------------------|---------------------------------|
| Andrew Brown (Chair)   | 6                    | 5*                       | 83%                             |
| Tony Dyer (Vice Chair) | 6                    | 5*                       | 83%                             |
| John Geater            | 6                    | 3**                      | 50%                             |
| Zoe Goodman            | 6                    | 5                        | 83%                             |
| Katy Grant             | 3                    | 1*                       | 33%                             |
| Jonathan Hucker        | 6                    | 5*                       | 83%                             |
| David Wilcox           | 6                    | 6                        | 100%                            |
| Hibaq Jama             | 6                    | 0                        | 0%                              |
| Fabian Breckels        | 6                    | 4                        | 67%                             |
| Guy Poultney           | 3                    | 2                        | 67%                             |
| Adebola Adebayo        | 6                    | 6                        | 100%                            |
| Simon Cookson          | 6                    | 5                        | 83%                             |

*\*Councillors Kent, Stafford-Townsend, Gollop, Eddy (twice) or Mack substituted at meetings where members of the Audit committee were not available.*

- 3.3 In addition to the Committee Members, the Section 151 Officer, Chief Internal Auditor, Deputy Chief Internal Auditor, Monitoring Officer, representatives from the External Auditors (Grant Thornton) and other officers, as appropriate, attended Committee meetings.
- 3.4 A total of thirty-nine reports were considered during the year, the details of which are provided in Appendix 1. Additionally, at each meeting, the Committee’s work programme was reviewed for continued relevance and progress against actions required by the Committee was monitored. Public forum was also received at some meetings.
- 3.5 The Value and Ethics Committee (a subcommittee of the Audit Committee) met twice receiving reports detailing Members Development and dispensations. This subcommittee was chaired by one of the independent members, Adebola Adebayo.

**4. The Work and Activity of the Audit Committee in 2022/23:**

- 4.1 The specific objectives of the Committee relate to overseeing arrangements in the following areas. Papers received by the Committee to enable them to provide that oversight are recorded below:

| Area                                    | Papers Considered to Enable Oversight   |
|---|---|
| Internal Control Environment            | <ul style="list-style-type: none"> <li>Internal Audit Annual Report 2021/22 and Half Year Update 2022/23</li> <li>Internal Audit Activity reports through the year with Exception Reporting and Management Action Tracking</li> <li>Independent Review of Whistleblowing Arrangements 2022/23</li> </ul>  |
| Corporate Risk Management               | <ul style="list-style-type: none"> <li>Q4 2021/22 Corporate Risk Report, Q1 – Q3 2022/23 Corporate Risk Reports</li> <li>Risk Management Annual Report 2021/22</li> <li>Review of Specific Corporate Risk - Emergency Planning Measures</li> <li>Digital Transformation Change and Governance Update</li> </ul>   |
| Regulatory Framework                    | <ul style="list-style-type: none"> <li>Draft Annual Governance Statement 2021/22</li> <li>Annual Report of Local Government and Social Care Ombudsman</li> <li>Summary of External Inspections</li> <li>Bristol Holding Ltd Audit &amp; Risk Committee Annual Assurance Report</li> </ul>   |
| Internal Audit Effectiveness            | <ul style="list-style-type: none"> <li>Internal Audit Planning and Draft Plan 2023/24 – Quarter 1</li> <li>Internal Audit Annual, Half Year and in year activity reports.</li> <li>Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy</li> <li>External Review of Bristol City Council Internal Audit Service Compliance with professional standards for public sector auditor.</li> </ul> |
| External Audit Effectiveness            | <ul style="list-style-type: none"> <li>External Audit Plan</li> <li>External Audit Progress Report and Sector Update</li> <li>Grant Thornton Value for Money Audit Plan 2021/22 and 2022/23</li> <li>Estimated External Audit Fees 2020/21</li> <li>Informing the Audit Risk Assessment Report</li> </ul>   |
| Financial Reporting and Value for Money | <ul style="list-style-type: none"> <li>Interim External Auditors Annual Report on Bristol City Council</li> <li>External Audit Findings Report for 2020/21</li> <li>Draft Financial Statements 2021/22</li> <li>Avon Pension Fund</li> <li>Revised Financial Scheme of Delegation</li> </ul>  |
| Treasury Management                     | <ul style="list-style-type: none"> <li>Treasury Management Annual Report 2021/22</li> <li>Treasury Management Mid-Year Report 2022/23</li> </ul>  |
| Anti-Fraud Arrangements                 | <ul style="list-style-type: none"> <li>Fraud Annual Report 2021/22</li> <li>Counter Fraud Half Year Update Report 2022/23</li> </ul>  |

## **Key Messages from the Work of the Committee:**

- 4.2 As well as this annual report to Full Council, a half year report was provided on issues identified from its work during the first half of the year. The aim was to provide Council with early sight of emerging issues. This annual report captures key messages from the work of the Committee during the full year but should be read alongside the half year report for fuller details.

### Internal Control Environment:

- 4.3 The Committee received an Annual Report from the Chief Internal Auditor at the start of the municipal year in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). For 2021/22, the Chief Internal Auditor concluded 'Reasonable Assurance' that the Council's systems of internal control, governance and risk management were adequate and operating effectively. In noting this opinion, the Chief Internal Auditor acknowledged that the lasting impact of covid and other global and national events have created significant risk for the Council and emphasised the importance of prioritising governance, risk and control improvements to support delivery of the council's ambitions.
- 4.4 In the Annual Report and through the year, a number of areas, noted below, were identified as requiring improvement and the Committee continue to monitor these areas via regular reports from Internal Audit.
- Information Governance, resilience and IT Transformation
  - Compliance with Procurement Rules
  - Risk Management
  - Management of Conflicts of Interest
  - Adult Social Care Direct Payments
  - Special Educational Needs and Disability (SEND)
  - Delivery of financial savings
  - Financial scheme of delegation.
- 4.5 Where audit work identifies weaknesses in control, governance and risk management arrangements, actions are agreed by management to address these matters. The Committee has been advised by the Chief Internal Auditor that satisfactory progress is being made in the implementation of these actions but has emphasised the need to ensure these improvements are given priority.
- 4.6 Additionally, the Director: Policy, Strategy and Digital provided a report that summarised activity undertaken or planned to address the root causes of the limited assurance reports in respect of digital transformation and governance.

### Internal Audit:

- 4.7 The Committee has a role in reviewing the effectiveness of Internal Audit. During 2022/23, the Audit Committee oversaw an external assessment of the Internal Audit Team's compliance with the Public Sector Internal Audit Standards. The external assessment is required every five years and concluded that the Internal Audit Service conforms with the requirements of the Standards. This positive outcome reflects the improvements made by the whole team in respect of its approach and process over the last few years.
- 4.8 For 2023/24, the Team has moved to quarterly audit planning. Local government sector challenges and significant levels of organisational change are creating uncertainty, complexity and increasing risk. Quarterly planning enables the team, and the Committee, to ensure audit plans are flexible and adaptive to new and emerging risks in this environment.

### Risk Management:

- 4.9 The Committee has received a report from the Council's Risk and Insurance Manager detailing the progress being made to embed risk management at the Council. The risk management arrangements continue to embed. In addition, the Committee received quarterly risk reports which identify the key risks to the Council and how they are being managed.
- 4.10 Detailed briefings in relation to the following risk areas have also been received by the Committee:
- Emergency Planning Measures
  - Avon Pension Fund including a presentation from the Fund administrators.

### Regulatory Framework:

- 4.11 The Annual Governance Statement is a key consideration for the Committee each year. It outlines the governance arrangements at the Council and concludes on how effectively those arrangements have been operating. The Committee was assured by the review process and approved the 2021/22 Annual Governance Statement as a fair reflection of the Council's governance arrangements. The Statement identified a number of issues that had significantly impacted the Council's governance arrangements. These were detailed in the Committee's half year report and related to:
- The Dedicated Schools Grant (DSG) Deficit
  - The level of breaches of the Council's procurement rules
  - Under-delivery of planned savings.
- 4.12 As part of their consideration of the Annual Governance Statement, the Committee reviewed a self-assessment of compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code which noted a reasonable level of compliance. Areas for improved compliance were identified and will be monitored annually by the Committee.

### External Audit:

- 4.13 The Committee received a number of reports from the Council's external auditors relating to progress of audits in relation to the audit of 2020/21 and 2021/22 accounts. Additionally, the Committee received reports relating to value for money and the Council's arrangements for securing economy, efficiency and effectiveness. While a number of improvement recommendations were made, their work did not conclude significant weaknesses in these arrangements for the years reviewed.

### Counter Fraud Arrangements and Whistleblowing:

- 4.14 The Committee received regular updates on the counter-fraud work undertaken by Internal Audit and noted the robust approach taken in respect of counter-fraud arrangements.
- 4.15 The Committee has monitored continual improvements being made to whistleblowing arrangements. Notably, an independent review of whistleblowing arrangements at the Council has concluded substantial assurance that arrangements are in place and effective.

## **5. Audit Committee Development and Effectiveness**

- 5.1 In October 2022, the CIPFA published its updated guidance to Audit Committees: 'Practical Guidance for Local Authorities and Police'. A workshop was held with Committee members in February 2023 to reflect on the Committee's practice and review this guidance. A number of improvement opportunities were identified and will be implemented during 2023/24 to support the Committees continual improvement.
- 5.2 In addition, the Chair has attended LGA training and also participated in South West Councils' Audit Committee Chairs Forum.

## **6. CONCLUSION**

- 6.1 Bristol City Council continues to face significant financial challenges creating risk to delivery of the Councils objectives. Delivery of savings and transformation programmes going forward will be key mitigations in managing some of these risks and robust governance, control and risk management will be vital to support this. The Committee works to help ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Council are sound, reliable, robust and secure.
- 6.2 This report gives an overview of the range of work undertaken by the Committee, which has enabled it to fulfil its terms of reference and conclude that there are some areas where the Council's system of checks and balances are not as robust as required. The Committee's forward work programme will include monitoring of these to ensure improvement.
- 6.3 The Audit Committee would like to extend its thanks and appreciation to all the officers who have contributed reports and responded to questions from committee members. Audit Committee has a vital role to play and this is greatly enhanced by a high standard of input from all those who contribute.

## **Appendices:**

Appendix 1 – Reports considered by the Audit Committee in 2022/23 including reports considered by the Values and Ethics Committee.

| Meeting date                                   | Papers considered   |
|--|---|
| 27 <sup>th</sup> June 2022                     | <ul style="list-style-type: none"> <li>• Interim External Auditors Annual Report on Bristol City Council</li> <li>• Internal Audit Annual Report 2021/22</li> <li>• Fraud Annual Report 2021/22</li> <li>• Draft Annual Governance Statement 2021/22</li> <li>• Q4 2021/22 Corporate Risk Report Update</li> </ul>  |
| 26 <sup>th</sup> July 2022                     | <ul style="list-style-type: none"> <li>• Draft Financial Statements 2021/22 - To follow</li> <li>• Estimated External Audit Fees 2020/21</li> <li>• Bristol Holding Limited Audit &amp; Risk Committee Annual Assurance Report</li> <li>• Q1 - Strategic Risk Report</li> <li>• Internal Audit Exception Reporting including Management Action Tracking</li> <li>• External Review of Bristol City Council Internal Audit Service</li> </ul>  |
| 26 <sup>th</sup> September 2022                | <ul style="list-style-type: none"> <li>• External Audit Plan</li> <li>• Treasury Management Annual Report 2021/22</li> <li>• Risk Management Annual Report 2021/22</li> <li>• Q2 Corporate Risk Report</li> <li>• Annual Report of Local Government and Social Care Ombudsman</li> <li>• Internal Audit Activity Report</li> <li>• Audit Committee Annual Report to Full Council</li> </ul>   |
| 21 <sup>st</sup> November 2022                 | <ul style="list-style-type: none"> <li>• Grant Thornton Value for Money Audit Plan 2021/22</li> <li>• Informing the Audit Risk Assessment Report</li> <li>• Treasury Management Mid-Year Report</li> <li>• Avon Pension Fund</li> <li>• Review of Specific Corporate Risk - Emergency Planning Measures</li> <li>• Counter Fraud Half Year Update Report</li> <li>• Draft Audit Committee Half Year Report to Full Council</li> <li>• Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy</li> <li>• Internal Audit Half Year Update</li> </ul> |
| 30 <sup>th</sup> January 2023                  | <ul style="list-style-type: none"> <li>• Grant Thornton Value for Money Plan 2022/23</li> <li>• Audit Findings Report for 2020/21</li> <li>• Internal Audit Update Report</li> <li>• Internal Audit Exception Report</li> <li>• Digital Transformation change and governance update</li> <li>• Q3 Corporate Risk Report</li> </ul>  |
| 6 <sup>th</sup> March 2023                     | <ul style="list-style-type: none"> <li>• External Audit Progress Report and Sector Update</li> <li>• Internal Audit Draft Plan 2023/24 - Quarter 1</li> <li>• Independent Review of Whistleblowing Arrangements 2022/23</li> <li>• Internal Audit External Professional Standards Assessment</li> <li>• Summary of External Inspections</li> <li>• Revised Financial Scheme of Delegation</li> </ul>  |
| <b>Value and Ethics Sub-Committee Meetings</b> |   |
| 27 <sup>th</sup> June 2022                     | <ul style="list-style-type: none"> <li>• Member Development Update Report</li> <li>• Summary of Complaints against Councillors - March 2021- May 2022</li> </ul>  |
| 30 <sup>th</sup> January 2023                  | <ul style="list-style-type: none"> <li>• Dispensations</li> </ul>   |